

## Message Text

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ACTION IO-11

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TO SECSTATE WASHDC 7784

C O N F I D E N T I A L PARIS 04358

NESCO

E.O. 11652: GDS-1

TAGS: PORG, AORG, UNESCO, US

SUBJECT: UNESCO CASH FLOW SITUATION

REF: A) STATE 32413

B) PARIS 1412

1. DELOFF TOLD FEBRUARY 11 BY ANDRE CHAKOUR (LEBANESE), UNESCO COMPTROLLER, THAT WHILE NOT PERMITTED TO RELEASE ACTUAL FIGURES AT THIS TIME, UNESCO CASH FLOW SITUATION IS NOW SUCH THAT THEY CAN MEET OBLIGATIONS AT LEAST UNTIL AFTER END OF COMING EXECUTIVE BOARD SESSION (APRIL 26-MAY 28), EVEN IN UNLIKELY EVENT NO FURTHER NO-INTEREST LOANS HAVE BEEN RECEIVED. SUBSEQUENT TO CHAKOUR CONVERSATION, UK DEPUTY PERMREP RELAYED INFORMATION FROM "RELIABLE SOURCE" THAT UNNAMED, BUT LIKELY ARAB MEMBER STATE CURRENTLY NEGOTIATING AN ADDITIONAL \$13 MILLION NO-INTEREST LOAN TO UNESCO. (SEE REFTTEL B FOR STILL VALID INFORMATION ON STATUS OF NO-INTEREST LOANS ACTUALLY RECEIVED AND THOSE FIRMLY PLEDGED.)

2. CHAKOUR CITED THREE FACTORS AS HAVING BEEN HELPFUL TO EASING UNESCO'S CASH FLOW PROBLEMS: A) LOANS SO FAR  
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RECEIVED (\$7 MILLION) HAVE "OFFSET GREATLY" THE ABSENCE

OF US CONTRIBUTION; B) DOLLAR HAS IMPROVED SINCE EARLY FALL 1975 BY BETTER THAN 10 PER CENT AGAINST THE FRENCH FRANC WHICH HAS MEANT INCREASE BY ALMOST THAT MUCH IN PERCENTAGE TERMS OF ORGANIZATION'S PURCHASING POWER BECAUSE GREAT BULK OF ITS EXPENDITURES ARE IN FRENCH CURRENCY AND C) SLASHING ECONOMY CUTS BY DIRECTOR GENERAL M'BOW HAVE CONSIDERABLY REDUCED EXPENDITURES' ALTHOUGH AT COST OF VIRTUAL SUSPENSION OF SOME PROGRAM ACTIVITIES.

4. FURTHER, MEMBER STATES, NOTABLY INCLUDING WESTERN EUROPEANS, HAVE MADE SPECIAL EFFORT TO MAKE PROMPT PAYMENTS OF THEIR CONTRIBUTIONS.

5. SUMMING UP, CHAKOUR SAID THAT AS A RESULT OF LOANS AND ADVANCE OR EARLY PAYMENTS OF CONTRIBUTIONS BY MEMBER STATES, ORGANIZATION HAD RECEIVED AS OF DECEMBER, 1975 THE SAME PERCENTAGE OF PAYMENTS DUE AS IN DECEMBER 1973, I.E. AS WHEN US WAS PAYING ITS FULL CONTRIBUTION.

5. COMMENT: EVEN ALLOWING FOR CHAKOUR HAVING PUT CASH FLOW SITUATION IN BEST LIGHT, PERMDEL CONSIDERS PREDICTIONS OF UNESCO'S IMMINENT FINANCIAL COLLAPSE--SUCH AS IMPLIED IN REFTEL REMARKS MADE TO DEPARTMENT--AS EXAGGERATED. OUR BEST GUESS IS THAT UNESCO WILL SURVIVE THIS YEAR DESPITE CONTINUING SUSPENSION OF US CONTRIBUTION BY RESORT TO LOANS AND CUTTING EXPENSES TO THE BONE OR, IF NECESSARY, INTO THE BONE. IN ANY CASE, PERMDEL WOULD NOTE THAT THERE HAVE BEEN ASSERTIONS IN CIRCULATION BEGINNING EARLY LAST FALL AND EVER SINCE THAT SUCCESSIVELY PREDICTED UNESCO'S INABILITY TO MEET ITS PAYROLL BY THE END OF LAST NOVEMBER, BY THE END OF DECEMBER, BY THE END OF JANUARY AND BY THE END OF FEBRUARY.

CHAKOUR, WHO IS FRIENDLY AND COOPERATIVE, COULD NOT OR WOULD NOT PROVIDE MORE EXACT INFORMATION ON CASH FLOW SITUATION; LIKELY BECAUSE OF HIGH POLITICAL SENSITIVITY NOW SURROUNDING SUCH TECHNICAL INFORMATION.  
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